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IN THE

Supreme Court of the United States

OCTOBER TERM, 1920

No. 171

STARK BROS. NURSERIES & ORCHARDS COMPANY,

Petitioner,

vs.

WILLIAM P. STARK and WILLIAM H. STARK, Trustees, Doing Business under Name and Style of William P. Stark Nurseries,

Respondents.

Certiorari to the Circuit Court of Appeals for the Eighth Circuit.

REPLY BRIEF AND ARGUMENT FOR PETITIONER

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The respondents in their brief and argument in this court, by implication from their silence, agree with the

findings of the trial court and the Court of Appeals that they were guilty of trade-mark infringement and unfair competition. Respondents, who were adjudged to be willful and determined wrongdoers, now seek to hide behind Section 28 about constructive notice, with the view of being allowed to keep their ill-gotten gains at the costly expense of petitioner.

Replying briefly to respondents' discussion on page 17 of their brief about W. P. Stark's grievances against petitioner, we respectfully direct the Court to page 33 of the record, and to letters printed in full on pages 145 and 147 of the record, about a "round-up" and "sticking the goad" into respondents. The matters discussed on pages 17-18-19-20 of respondents' brief were observed and passed over by the trial judge who, after careful deliberation and consideration, remarked about these suits and controversies between the parties in 1913 and 1914:

> "Suits were instituted, the issues in which did not directly involve this trade-mark, and the settlement reached concerned only those issues and constituted in no sense a waiver of the rights asserted." (Rec., p. 193.)

We wish here to contradict respondents' inaccurate statement on page 20, that "The record discloses that after petitioner's letter to respondent, August 16, 1916, defendant did discontinue the use of the trade-mark labels except, possibly, in a few cases, when the tags were inadvertently used," by quoting from the trial court, which found, "there is some evidence, however, that the shipping label has been employed since the

period of such claimed abandonment." Then Mrs. Blair testified (Rec., p. 67) that on November 28, 1916, she received trees from respondents bearing the infringing label—over two months after suit was filed and over three months after the formal notice; and Respondent Wm. P. Stark himself testified that respondents used the remnants of the infringing labels until the new form of label was adopted, as shown in their catalog of 1917 (Rec., p. 139).

Respondents' assertion on page 23 of their brief that this suit was "prompted by jealousy rather than a purpose to redress a wrong," seems to us absurd in light of the systematic, malicious attack by respondents on the marks, expensively acquired good-will and reputation of petitioner, as disclosed by even a cursory review of the record.

A perusal of the bill of complaint will show that respondents' statement on page 24, that there is no prayer in the bill concerning unfair competition, is without foundation; as is the statement that "the wrongful acts charged in connection with unfair competition were *all prior* to the registration of the trademark in controversy, which is dated June 24, 1913, and, therefore, could not be considered as 'inseparably' connected with it," for the record discloses, time and again, that respondents were guilty of the unfair competition as charged up until the time suit was started in September, 1916, and the trial court found from evidence adduced after the hearing, that one of the most serious acts of unfair competition was deliberately persisted in as late as February 26, 1918 (Rec., p. 194).

Respondents' argument on pages 24-32, boiled down, it seems to us, admits our contention that a federal court has jurisdiction over unfair competition inseparably connected and inextricably intertwined with infringement of a valid registered trade-mark or, by analogy, a patent, in a suit between parties of the same State, but contends that petitioner's registered trade-mark is not valid in so far as damages or accounting of profits are concerned until petitioner complied with the rule of Section 28 of the Trade-Mark Act of giving constructive notice by marking "Registered in U. S. Patent Office" or the abbreviation, "Reg. U. S. Pat Off.," or actual notice of the registration.

We repeat our contention that this section of the statute about notice has no application to this case, as it is admitted and adjudicated that respondents here were not innocent infringers, but on the contrary were deliberate, malicious and systematic infringers and unfair traders.

If respondents are finally allowed to hide behind Section 28 and are made to pay the accounting and damages only during the few months of admitted infringement after suit was filed in September, 1916, the very Trade-Mark Act which doubtless was enacted to protect and promote trade will become an instrument to enable the guilty respondents to keep gains unfairly secured, which we protest would be not only unconscionable but a bad precedent.

We admit that if respondents were not proved to be such deliberate, malicious and systematic wrongdoers there might be some weight to an argument on their

part that an accounitng or damages should not lie prior to June 24, 1913, when the mark in controversy was registered and jurisdiction of the federal court followed. In this regard reference to the record (p. 99) will show that respondents were just beginning to sell their product under the infringing mark about the date of petitioner's trade-mark registration, so petitioner's contention here and elsewhere that respondents be made to account and pay prior to the date of the registration is not made with any hope of additional monetary reward, but is made to conform to what it believes is consonant with equity.

We do not agree with respondents' unsubstantiated statement on page 34, that,

> "It is admitted that the notice required by the federal statute was not given until the filing of this suit, or possibly a few days before. Therefore, since there could be no infringement of trade-mark prior to that time under the decision of this court and the federal courts throughout the country, the question of an accounting for gains and profits as to unfair competition could not ante-date the notice of the infringement of the trade-mark."

In the first place we have contended and continue to contend that Section 28, about constructive notice, has no equitable application or relation to this case, as it has been proved almost to the point of admission that respondents were deliberate, willful and premeditated infringers and unfair traders. Even the principal respondent, Wm. P. Stark, testified (Rec.,

p. 93) that petitioner company used the trade-mark, Stark Trees, of the design as shown in the certificate of registration, as early as 1893.

In the second place, that part of the above quotation from respondents' brief saying " • • • under the decision(s) of • • • the federal courts throughout the country • • • ," is unsupported by any cited cases or authorities, and, therefore should, in our opinion, be either ignored or treated as a self-serving statement probably written in exasperation at their failure to find a single case in point.

The remainder of respondents' brief, pages 34-39, we believe is ably and succinctly answered by the words of Judge Van Valkenburgh in the trial court:

> "The doctrine announced in McLean v. Fleming, 96 U. S. 245, and Menendez v. Holt, 128 U. S. 574, is well established and has been restated in many federal decisions. Briefly stated, it is:
>
> 'Unreasonable delay in bringing a suit is always a serious objection to relief in equity; but cases arise in litigations of the kind before the court where the complainant may be entitled to an injunction to restrain the future use of a trade-mark, even when it becomes the duty of the court to deny the prayer of the bill of complaint for an account of past gains and profits.'
>
> The reason for the rule is well stated by the Supreme Court in a number of cases. Thus, in Townsend v. Vanderwerker, 160 U. S. 171:
>
> 'The question of laches does not depend, as does the statute of limitations, upon the fact that a certain definite time has elapsed since the cause

of action accrued, but whether, under all the circumstances of the particular case, plaintiff is chargeable with a want of due diligence in failing to institute proceedings before he did.'

And still more fully in Galliher v. Cadwell, 145 U. S. 368:

'The cases are many in which this defense has been invoked and considered. It is true that by reason of their differences of fact no one case becomes an exact precedent for another, yet a uniform principle pervades them all. They proceed on the assumption that the party to whom laches is imputed has knowledge of his rights, and an ample opportunity to establish them in the proper forum; that by reason of his delay the adverse party has good reason to believe that the alleged rights are worthless, or have been abandoned; and that because of the change in condition or relations during this period of delay, it would be an injustice to the latter to permit him now to assert them. • • •

They all proceed upon the theory that laches is not like limitation, a mere matter of time; but principally a question of the inequity of permitting the claim to be enforced—an inequity founded upon some change in the condition or relations of the property or parties.'

It will be noted, therefore, that each case presented depends upon its own peculiar facts, and that mere delay in asserting legal rights is not a bar; there must have been such change in condition or relations, such reasonable ground to rely upon waiver or abandonment—in short, the intervention of some element in the case which would cause the delayed assertion of these rights

to work injustice. A number of cases are cited in which, after a delay of six or more years, the injunction was granted but accounting denied. None of these cases are, of course, persuasive against the granting of the injunction prayed, nor are they at all determinative of the right to an accounting. The case of Rubber, etc., v. Devoe et al., 233 Fed. 150-160, is a case not of trade-mark, but of unfair trade. In it damages were awarded; the accounting for profits was denied because the court could not find that the unfair competition was so willful and fraudulent as to justify the imposition of profits. This is the extent of the application, if any, of the opinion in Hamilton-Brown Shoe Company v. Wolf Brothers, 240 U. S. 251. (Petitioner's Note: Judge Van Valkenburgh, the trial judge in this Stark case, wrote the opinion of the Court of Appeals in the Hamilton-Brown case.) In Rossman v. Garnier (C. C. A.), 211 Fed. 401, it did not appear that—

'In the use of the trade-mark the appellee never complied with the requirements that she give notice to the public by affixing thereto the words "Registered in U. S. Patent Office," or "Reg. U. S. Pat. Off.," nor on a separate label, nor is there any evidence that any notice was ever given appellee of the infringement.'

'It follows that no damages can be recovered and no use would be subserved by an accounting.'

In this case it must be kept in mind that it has been adjudged that the defendants, with full knowledge of complainant's rights, the history of its business, the marks employed by it, and the fact that the name "Stark" had become practically a trade-mark in nursery matters, nevertheless deliberately and premeditatedly sought to

draw to themselves the benefit and advantage of complainant's prestige and repute. Such a situation differs radically from one in which an infringement, although found to exist, is unaccompanied by a conscious and willful purpose. In the latter case the demand for notice and warning is recognized as an appropriate and equitable condition to the right to exact what Judge Haight has characterized as a 'punitive addition to the ordinary decree of compensatory damages.'

But in the record before us, which, at the earnest solicitation of counsel, I have again examined more in detail upon this point, it abundantly appears that defendants not only were consciously encroaching upon complainant's rights, as I have said, but also that complainant resented and seriously objected thereto. It may be true that prior to August 26, 1916, a formal and technical notice had not been served which dealt with this trade-mark in specific terms, but litigation started between these parties as early as 1913, extending to the fall of 1914. Suits were instituted, the issues in which did not directly involve this trade-mark, and the settlement reached concerned only those issues and constituted in no sense a waiver of the rights asserted. Confusion of mail, growing out of the Stark City address, was referred to the Postmaster General, through the Attorney General for that Department, and an award was made, in some measure in favor of complainant. The use of the Stark name runs through all the differences disclosed as the gist of the controversy. On or about March 11th, 1914, the president of complainant wrote to the defendant William P. Stark that

'We would have to take drastic action if his unfair methods and misleading statements did not cease.'

'We hereby notify you to discontinue their unfair competition and infringement on our rights.'

Again, January 15, 1916, a letter of the same general purport was written by complainant to defendants' known attorneys. Early in 1916 the matter was taken up with the Federal Trade Commission. Formal notice was again sent in August, 1916, and Mr. E. W. Stark testifies that he wrote other letters and made other demands intermediately to the same effect. I cannot escape the conclusion that, throughout this period, complainant was reiterating its objection to the action of defendants, and that defendants were well aware of the substance of its complaint. Such being the case, I find no such waiver, abandonment or laches as would preclude complainant from substantial recovery, if the same can be made to appear upon accounting."

IN CONCLUSION.

Considering the fact that every allegation of the bill of complaint (which probably is the most comprehensive one ever filed in point of premeditated, systematic and resultful infringment and unfair competition) was proved to the complete satisfaction of the trial court and unqualifiedly affirmed by the Court of Appeals, we are reluctant to believe that even the broadest principles of equity could conscionably deny petitioner substantial relief and thereby allow the guilty respondents, who profited by their wrongdoing, to keep what is not rightfully theirs, simply because petitioner did not give constructive notice, in face of the fact that it has been adjudged and admitted that respondents not only were as familiar with petitioner's trade-mark use and business, but in the words of the trial court respondents "pointedly aimed at such appropriation of the high reputation of the Stark name in connection with nursery products in Missouri; a reputation acquired by and identified with the complainant in this case."

Respectfully submitted,

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